

## SURFACE USE AGREEMENT

Well Name: State 9-61-16  
Section 16-T9N-R61W  
Weld County, Colorado

This Surface Use Agreement ("Agreement") is entered into this 27<sup>th</sup> day of September, 2010, between Quarter Circle Lazy H Ranch, Inc., 4000 CR 74E, Livermore, Colorado 80536 (herein, "Surface Owner") and **Antelope Energy Company, LLC**, a Colorado Limited Liability Company, with its principal office at 112 W. 2<sup>nd</sup> Street, P.O. Box 577, Kimball, Nebraska 69145 (herein, "Operator").

### RECITALS

- A. Surface Owner owns the surface estate of Property located in Weld County, Colorado, legally described as:

Township 9 North, Range 61 West, 6<sup>th</sup> P.M.  
Section : S/2

hereinafter referred to as the "Property".

- B. Operator is the owner of the oil and gas leasehold interests in and under the Property.
- C. Operator plans to develop its leasehold interests by drilling and operating one or more oil and/or gas wells on the Property.
- D. This Agreement provides for and is limited to the protection of the surface estate of the Property, while allowing for the prudent development of the oil and gas estate.

NOW, THEREFORE, in consideration of the covenants and mutual promises set forth in this Agreement, including the Recitals, the parties agree as follows:

1. Operator agrees to remove all debris from the location, backfill the pit and cover evenly with original top soil, and additional top soil from other sites if necessary to return the site to a condition as similar to the original condition as is reasonably practicable. Any and all salt water discovered on leased premises will be disposed of properly.
2. The parties shall mutually agree to the location of any roads or rights-of-way over and across the Property prior to the beginning of any construction; provided, Surface Owner shall not unreasonably



withhold or delay its agreement to such locations. Surface Owner may request an onsite consultation with Operator.

3. Upon any completion of a test or dry hole or abandonment of any producing well, including roadways or easements thereto, which are situated upon grass or pasture land, the Operator shall reclaim the locations and roadway to the original grade, and reseed the same to grass. In the event that the grass seed fails to germinate and provide adequate cover to prevent erosion, Operator will complete a reseeding on a second or subsequent season(s) until grass or pasture is established.
4. A contact person representing the Operator will maintain contact with the Surface Owner or an agent designated by the Surface Owner to keep the Surface Owner current at all times regarding work to be performed concerning exploration, drilling and developing a well, including construction or maintenance of roadways, pipelines, electric lines or related structures.
5. The Surface Owner or his agent shall be notified any time equipment or personnel enter the Property for construction, maintenance of the well, roadways, or pipelines, or other work associated with the operation. This will not include the daily vehicle traffic necessary for routine sales, checks or maintenance on wells. No heavy equipment will enter the Property nor will construction be performed when adverse weather conditions are present that will cause undue damage to the surface of the leased premises without the prior consent of Surface Owner.
  - a. In the event electric lines, pipelines and/or flowlines are installed outside of an existing road right-of-way, or off the drill pad or tank battery location,

To be specific, if the trench is located in or along the road right-of-way, as outlined in 7.a below, no additional fees will be paid for pipeline or electric line right-of-way. Electric lines will be buried to code, or a minimum of 24" deep. Flowlines will be buried a minimum of 36" deep.
  - b. Should a flowline leak occur, Operator will take immediate action to identify and repair the leak.



- c. Operator shall provide Surface Owner with a map or plat identifying the placement of any buried electric line or pipelines or flowlines constructed off the drill pad.
  - d. No gathering, storage, or compression facility not directly related to the operation of the well identified herein, shall be constructed on the Property without negotiating a separate agreement for same. When practical, Operator shall install structures near the closest roadway.
- 6. All traffic will be restricted to a twenty foot (20') wide right-of-way, including ditches, with such additional widths as may be necessary at curves, turns or where required due to topography, from the well site to the county road. A forty foot (40') width may be used during construction of the road. If this road becomes impassable, Operator will reconstruct the road, as deemed reasonable, without damage to Property outside the right-of-way. Should reconstruction be required out the stated right-of-way, additional damages will be paid to Surface Owner.
  - a. Operator shall provide Surface Owner with a map or plat identifying routes which are agreed to between the parties hereto.

Operator will maintain all roadways in a reasonable manner, crowning said roadways and using gravel and culverts, as is necessary to prevent washing, and erosion. Should the road become impassable and require maintenance, that requires Operator to drive off the road, Operator shall repair or reconstruct the road

Surface Owner shall be allowed to use such roadways as required for his ranching operation. Surface Owner may elect to keep the road in place after production terminates and this Agreement is no longer valid. Otherwise, the road will be reclaimed and reseeded as outlined in paragraph 3. above.

- 7. Damages for drilling, completion and production operations shall be paid prior to the commencement of heavy equipment operations, for the ground utilized for each well and its associated drillsite, not to exceed three (3) acres. If the well is productive, the tank battery will be constructed near County Road 89,



near the access, and in the southwest corner of said Section . In such event, will be paid for the tank battery location, which will not exceed two (2) acres, as provided herein and in 7.a below. Such payments shall be inclusive of all normal damages caused by the drilling, production and plugging operations of Operator on the Property.

Should significant other damage to the Property occur, Surface Owner may be entitled to further compensation including, but not limited to loss of livestock, contamination of soil, or other unforeseen events.

- a. When requested by Surface Owner, Operator shall install gates or cattle guards. During drilling and production operations, Operator will fence pits and production equipment with stock-tight fencing material to prevent injury to livestock. Fence panels will be used around the pumping unit and four-strand barbed wire will be used around pits and the tank battery site.
  - b. A steel swinging gate will be installed at the access to the property and will be locked. Access to the tank battery site will not be locked.
  - c. Cattle will be moved into the pasture for summer grazing on or about May 15. If Surface Owner plans to move cattle into the pasture prior to May 15, written notice will be provided Operator two weeks prior.
8. If subsequent wells are drilled on the Property, Surface Owner will be contacted. The provisions for use of the Property shall apply as stated herein.
  - 9.
  10. Surface Owner will be notified in writing of any change of Operator.



- 11.
12. No alcohol or firearms, including bows or crossbows, are allowed on the Property at any time.
13. Operator will not be allowed to use water on the property, from stock wells or any other source, without prior consent of Surface Owner.
- 14.
15. This Agreement shall remain in full force and effect for as long as the Oil and Gas Lease covering the Property is perpetuated and until final releases have been obtained from the State of Colorado Oil and Gas Conservation Commission. Operator shall have 180 days to remove all equipment from the property after the well is plugged and abandoned. This Agreement shall be binding on all successors and assigns of both parties to this Agreement.
16. Operator agrees to defend, indemnify and hold Surface Owner harmless from any and all third party claims, demands or judgments connected with Operator's use of the Property.
17. Both parties herein agree to keep the terms of this Agreement confidential. In the event the State 9-61-16 well is established as a producer, Operator will prepare and record a Memorandum of this Agreement in the County Records.

SEE NEXT PAGE FOR SIGNATURES



Signed and agreed to this 27<sup>th</sup> day of September, 2010.

Surface Owner:

Quarter Circle Lazy H Ranch, Inc.  
Attn: Chris Hansen, President  
4000 CR 74E  
Livermore, CO 80536

Operator:

Antelope Energy Company, LLC  
P.O. Box 577  
Kimball, NE 69145

By: Chris Hansen, President  
Chris Hansen, President

By: Jodi Keeler 9.24.2010  
Jodi Keeler  
Production Manager